

Message Text

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C O N F I D E N T I A L MADRID 5116

E.O. 11652: XGDS-1

TAGS: PINT, EGEN, EFIN, SP

SUBJECT: PROFILE OF FRANCISCO FERNANDEZ ORDONEZ -- THE NEW FINANCE
MINISTER

1. FROM THE POINT OF VIEW OF US INTERESTS THE TWO MOST
IMPORTANT NEW MINISTERS ARE, IN ORDER OF IMPORTANCE, SECOND VICE
PRESIDENT OF GOVERNMENT FOR ECONOMIC AFFAIRS ENRIQUE FUENTES
QUINTANA AND FINANCE MINISTER (HECIENDA) FRANCISCO FERNANDEZ ORDONEZ.
THER FOLLOWS BELOW AN APPRECIATION OF FERNANDEZ ORDONEZ AND HIS
VIEWS IN TERMS OF THE MAJOR POLITICAL AND POLICY DECISIONS AHEAD.
A SEPTEL DID THE SAME FOR FUENTES QUINTANA.

2. "PACO" FERNANDEZ ORDONEZ, 47, IS A LAWYER AND ECONOMIST
BY TRAINING, A POET AND INTELLECTUAL BY PROCLIVITY, AND
A POLITICIAN BY ACCIDENT OF HISTORY -- THE TIMING OF FRANCO'S
DEATH. HE ENTERED PUBLIC SERVICE AS A FISCAL LAWYER IN 1954;
RISING RAPIDLY IN THE MINISTRY OF FINANCE TO POSITIONS OF
CONSIDERABLE RESPONSIBILITY. HE HAS REPRESENTED SPAIN AT
BILATERAL ECONOMIC MEETINGS, HEADED UP THE SPANISH DELEGATION
TO THE OECD, AND REPRESENTED SPAIN BEFORE GATT. HE ALSO
BECAME THE YOUNGEST PRESIDENT OF THE NATIONAL INSTITUTE OF
INDUSTRY (INI), THE SPANISH STATE HOLDING COMPANY. BUT HE
RESIGNED FROM THIS POSITION IN NOVEMBER 1974, IN PROTEST
OVER THE REMOVAL OF LIBERAL INFORMATION MINISTER PIO CABANILLAS.
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HE THEN BECAME ACTIVE IN THE REFORMIST "FEDISA" ORGANIZATION,
ALONG WITH OTHER REGIME PROGRESSIVES SUCH AS CABANILLAS AND
CURRENT FOREIGN MINISTER OREJA, AND SUBSEQUENTLY A LEADER OF THE
OPPOSITION "COMMITTEE OF NINE."

3. FERNANDEZ ORDONEZ WAS ONE OF THE PRIME MOVERS, IN 1976,
OF AN ATTEMPT TO FORM A NATION-WIDE SOCIAL DEMOCRATIC GROUP-

ING WHICH COULD ACT AS A BRIDGE BETWEEN SPANISH SOCIALISM AND THE POLITICAL CENTER. HE WAS ELECTED PRESIDENT OF THE FOUNDING "SOCIAL DEMOCRATIC FEDERATION" (FSD), BUT THE ORGANIZATION BEGAN TO UNRAVEL ALMOST AS SOON AS IT WAS PUT TOGETHER BECAUSE OF THE OVERWHELMING STRENGTH OF THE POLES OF ATTRACTION TO EITHER SIDE, SUAREZ' CENTRO AND GONZALEZ' PSOE. ALSO UNCOMFORTABLE WITH WHAT HE CONSIDERS THE "ROMANTIC MARXISM" OF THE PSOE, FERNANDEZ ORDONEZ SAW HIMSELF COMPELLED TO SIGN ON EARLY WITH THE COALITION OF SOCIAL DEMOCRATS, CHRISTIAN DEMOCRATS, AND LIBERALS WHICH BECAME SUAREZ' UCD. HE IS THE LEADER OF UCD'S SOCIAL DEMOCRATIC FRACTION, THE SOCIAL DEMOCRATIC PARTY (PSD), AND WAS ELECTED TO THE CONGRESS OF DEPUTIES FROM MADRID.

4. IN ECONOMICS, FERNANDEZ ORDONEZ IS BASICALLY A LIBERAL NEW-DEAT-STYLE REFORMER RATHER THAN A SOCIAL DEMOCRAT IN THE EUROPEAN SENSE. HIS ECONOMIC IDEAS FAVOR FREE ENTERPRISE AND THE MARKET ECONOMY COMBINED WITH A STRONG PUBLIC SECTOR AND MORE FLEXIBLE FISCAL POLICY. HE BELIEVES THERE SHOULD BE IMMEDIATE MEASURES TO REDUCE TAX EVASION AND FRAUD WITH GRADUAL REFORMS TO MAKE THE TAX SYSTEM MORE PROGRESSIVE. WITH IMPROVED REVENUE, HE FAVORS INCREASED PUBLIC EXPENDITURE FOR PUBLIC SERVICES, DEPRESSED AREAS, SOCIAL SECURITY AND UNEMPLOYMENT BENEFITS. HE IS CONVINCED THAT DEALING WITH THE PRESENT ECONOMIC SITUATION REQUIRES A STABILIZATION PROGRAM CONSISTING OF MORE RESTRICTIVE MONETARY POLICY, CONFIDENTIAL

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INCREASED TAX REVENUE, AND DEPRECIATION OF THE PESETA. IF POSSIBLE, AN IMPORTANT ELEMENT OF SUCH A PROGRAM WOULD BE WAGE RESTRAINT, EITHER BY INFORMAL AGREEMENT OR BY TEMPORARY WAGE AND PRICE CONTROLS IF NECESSARY. HOWEVER, HE DOUBTS WHETHER AN AGREEMENT ON WAGE RESTRAINTS IS POLITICALLY POSSIBLE FOR THE SOCIALISTS TO ACCEPT, THOUGH HE FEELS TACIT ACCOMMODATIONS ARE POSSIBLE.

5. FERNANDEZ ORDONEZ HAS A FIRST-CLASS MIND, A QUICK POLITICAL INTELLIGENCE, AND IS WIDELY RESPECTED AS ONE OF SPAIN'S LEADING FINANCIAL EXPERTS. JUST AS IMPORTANT, HE IS GENERALLY WELL LIKED, LARGELY BECAUSE HE IS A CAPABLE, SENSITIVE AND CIVILIZED MAN. HE HAS MAINTAINED, FOR INSTANCE, A GOOD RELATIONSHIP WITH FELIPE GONZALEZ AND OTHER PSOE LEADERS, A FACT WHICH WILL MAKE HIM AN ASSET IN THE GOVERNMENT'S NECESSARY DIALOGUE WITH THE PSOE. THE PSOE LEADERSHIP, WHILE CONSIDERING FERNANDEZ ORDONEZ A LIBERAL, RATHER THAN A SOCIAL DEMOCRAT, ALSO SEES HIM AS A MAN WHO IS COMMITTED TO CHANGE AND HAS ALWAYS PLAYED BY THE RULES. BY THE SAME TOKEN, HIS PROGRESSIVE VIEWS HAVE DISTURBED THE MORE CONSERVATIVE FINANCIAL AND BUSINESS CIRCLES, A FACT WHICH WE UNDERSTAND CONTRIBUTED TO HIS BEING GIVEN FINANCE WHILE THE MORE "SAFE" FUENTES QUINTANA BECAME THE

SUPER-MINISTER. FERNANDEZ ORDONEZ SEEMS TO HAVE TAKEN IT IN GOOD GRACE, PARTICULARLY SINCE HIS RESPONSIBILITY WILL INCLUDE, AMONG OTHER THINGS, THE POLITICALLY SEXY (AND NECESSARY) INITIATIVES ON TAX REFORM.

6. FERNANDEZ ORDONEZ IS VERY WELL DISPOSED TOWARD THE US AND HAS BEEN ONE OF THE EMBASSY'S MOST ACCESSIBLE AND BEST INFORMED CONTACTS. HE STUDIED TAX ADMINISTRATION AT HARVARD FOR ONE YEAR AND SPEAKS GOOD ENGLISH. FERNANDEZ ORDONEZ IS MARRIED TO THE FORMER MARIA PAZ GARCIA MAYO. THEY HAVE NO CHILDREN. STABLER

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